GOVERNMENT OF INDIA
URBAN DEVELOPMENT AND POVERTY ALLEVATION
LOK SABHA

UNSTARRED QUESTION NO:1159
ANSWERED ON:26.11.2002
FINANCING OF URBAN DEVELOPMENT
SATYAVRAT CHATURVEDI;SUNDER LAL TIWARI

Will the Minister of URBAN DEVELOPMENT AND POVERTY ALLEVATION be pleased to state:

(a) whether his Ministry has urged States and Union Territory Governments to forge public-private partnership in order to finance urban management;

(b) if so, whether he has felt that the fiscal instruments were needed to reform urban development;

(c) if so, the details thereof;

(d) whether a one-day conference of States/UT Ministers of urban development, local self-Government and housing was held in the month of September, 2002;

(e) if so, the main points discussed and decisions taken alongwith the steps taken by the Government so far to implement these decisions;

(f) whether he has promised to help the States to meet the shortfall of resources for co-operation and maintenance of core municipal services in India;
(g) if so, the details thereof;
(h) whether the Government have asked the States to reduce stamp duty upto five per cent;
(i) if so, whether any time limit has been stipulted for the aforesaid purpose; and
(j) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND MINISTER OF STATE IN THE MINISTRY O URBAN DEVELOPMENT & POVERTY ALLEVIATION (SHRI O. RAJAGOPAL)

(a)to(j): Urban development is a State subject. It is, therefore, the responsibility of the States to ensure urban development and mobilise requisite resources for the purpose.

However, Ministry of Urban Development and Poverty Alleviation supplements the efforts of the State Governments through policy formulation, technical guidance and central assistance under centrally sponsored schemes.

A conference of Ministers of Urban Development, Local Self-Government and Housing of States/Union Territories was convened at New Delhi on 12th September, 2002 by the Ministry of Urban Development & Poverty Alleviation. The need of adopting new fiscal instruments for developing urban infrastructure was emphasized. New fiscal instruments included financing commercial urban infrastructure projects through access to capital market, credit rating of municipal and urban infrastructure entities, forging public-private partnership in the provision of urban infrastructure. A final decision to adopt new approach would lie with the States.

The following fiscal instruments announced in the Union Budget 2002-03 were discussed at the conference:-

(i) Urban Reforms Incentive Fund (URIF).

(ii) City Challenge Fund (CCF).

(iii) Pooled Finance Development Scheme (PFDS).

URIF has been set up to provide reform linked assistance to states in the following areas:-

(i) Reform of Rent Control Laws and Repeal of Urban Land Ceiling Acts.

(ii) Rationalisation of high stamp duty regimes.

(iii) Revision of bye-laws to streamline the approvals process for construction of buildings, development of sites, etc.

(iv) Revision of municipal laws in line with model legislation prepared by the Ministry of Urban Development and Poverty alleviation.

(v) Simplification of legal and procedural frameworks for conversion of agricultural land for non-agriculture purposes.

(vi) Levy of realistic user charges and resource mobilization by urban local bodies.

(vii) Initiation of public-private partnership in the provision of civic services.

CCF is an incentive based facility that will support cities to fund transitional costs of moving towards sustainable & creditworthy institutional systems of municipal management & service delivery. It will assist in the partial financing of the cost of developing an economic reform programme & financially viable projects to be undertaken by urban local bodies.

PFDS is meant to provide credit enhancement to assist local bodies to access market borrowing on a creditworthy basis.

At the conference it was further stated that in order to provide incentive for urban local bodies to become creditworthy and to invest in urban infrastructure Government has provided for the issue of municipal tax-free bonds upto Rs.500 crores in 2002-03. The States should make use of the provision and send suitable proposals to the Government.

The following were the other issues discussed at the conference:-

(i) Capacity building in urban local bodies involving training of all women and SC/ST councilors of urban local bodies (ULBs).

(ii) Repeal of Urban Land (Ceiling and Regulation) Act, 1976.

(iii) Amendment of Rent Control Laws on the basis of Model Rent Act.

(iv) Public-Private Partnership in the provision of civic services.

(v) State Habitat Centre

(vi) Building Centre

The Centrally sponsored schemes administered by the Ministry were also reviewed at the conference. The State Governments were requested to expeditiously contribute their share for infrastructural development of urban areas.